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AGRICULTURAL ADJUSTMENT ADMINISTRATION

Presiding Officer's Statement

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U. S. Department of Agriculture

These are hearings with relation to the processing tax upon cotton under Title I, Section 15, Subsections (a) and (d) of the Agricultural Adjustment Act. The former Subsection states:

"Section 15 (a). If the Secretary of Agriculture finds, upon investigation at any time and after due notice and opportunity for hearing to interested parties, that any class of products of any commodity is of such low value compared with the quantity of the commodity used for their manufacture that the imposition of the processing tax would prevent in whole or in large part the use of the commodity in the manufacture of such products and thereby substantially reduce consumption and increase the surplus of the commodity, then the Secretary of Agriculture shall so certify to the Secretary of the Treasury and the Secretary of the Treasury shall abate or refund any processing tax assessed or paid after the date of such certification with respect to such amount of the commodity as is used in the manufacture of such products."

The latter Subsection states:

"(d) The Secretary of Agriculture shall ascertain from time to time whether the payment of the processing tax upon any basic agricultural commodity is causing or will cause to the processors thereof disadvantages in competition from competing commodities by reason of excessive shifts in consumption between such commodities or products thereof. If the Secretary of Agriculture finds, after investigation and due notice and opportunity for hearing to interested parties, that such disadvantages in competition exist, or will exist, he shall proclaim such finding. The Secretary shall specify in this proclamation the competing commodity and the compensating rate of tax on the processing thereof necessary to prevent such disadvantages in competition. Thereafter there shall be levied, assessed, and collected upon the first domestic processing of such competing commodity a tax, to be paid by the processor, at the rate specified, until such rate is altered pursuant to a further finding under this section, or the tax or rate thereof on the basic agricultural commodity is altered or terminated. In no case shall the tax imposed upon such competing commodity exceed that imposed per equivalent unit, as determined by the Secretary, upon the basic agricultural commodity."

The following shall be the course of procedure for the hearings:

(1) At the opening of the hearings, appearance for either or both hearings, filed in advance, or entered by those present, will be recorded.

(2) Testimony will first be heard as to the class or classes of products, if any, of cotton which are of such low value compared with the quantity of cotton used for their manufacture that the imposition of the processing tax upon cotton would prevent in whole or in large part the use of cotton in the manufacture of such products and thereby substantially reduce consumption and increase the surplus of cotton - that is, testimony under 15 (a). Testimony tending to show that the imposition of the tax would prevent the use of cotton in specific classes of products will first be heard. Any interested person wishing to present evidence to this effect shall first state the class or classes of products upon which he is to testify and shall thereafter present evidence as to the effect of the processing tax upon this class or these classes of products. This testimony shall be limited to those cases in which it is alleged that the imposition of the processing tax would prevent the use of cotton because an increase in price caused by the processing tax would substantially reduce consumption of such products. It shall not include cases where it is alleged that the use of cotton would be prevented in whole or in large part because cotton was superseded by some competing commodity--testimony to this effect shall be consolidated with testimony given later under Section 15 (d) relating to disadvantages in competition from competing commodities which will be caused to the processors of cotton by reason of excessive shifts in consumption between such commodities or products thereof.

After all testimony upon the affirmative has been presented, testimony in the negative will be heard. After this negative testimony has been completed those having offered testimony upon the affirmative may submit testimony in rebuttal.

(3) Thereafter, testimony under Section 15 (d) will be heard. It is believed that testimony relating to the following commodities thought to be competing with cotton will be introduced. If so, testimony relating to these commodities and products thereof will be heard in the order named: Jute, paper, rayon and other synthetic yarns, silk, flax, and wool. After testimony relating to these named competing commodities has been completed, testimony relating to any other commodities alleged to be competing with cotton will be heard. All testimony relating to a given competing commodity shall be heard before any testimony relating to the competing commodity next in order shall be presented.

The testimony relating to any given competing commodity shall be given as follows: If there are any interested parties who allege that, for example, commodity X is a competing commodity as to all or as to part of its products they shall be allowed to give testimony directed to: (a) the affirmative of the question whether the payment of the processing tax upon cotton is causing or will cause to the processors thereof disadvantages in competition from commodity X by reason of excessive shifts in consumption between such commodities or products thereof, and (b) the unit of commodity X equivalent to the



unit of cotton by which the amount of the processing tax upon cotton is determined, and (c) the compensating rate of tax on the processing of commodity X necessary to prevent such disadvantages in competition.

After all the interested parties proposing a compensating tax upon the processing of commodity X, or upon the processing in certain forms of commodity X, have been heard, those interested parties who wish to present testimony to the effect that commodity X is, in whole, or in part, not a commodity competing with cotton shall be heard. They may also present testimony as to the unit of commodity X which is equivalent to the taxable unit of cotton and the rate of tax to be imposed upon the processing of commodity X if it is determined to be a commodity competing with cotton. When such testimony is completed, the proponents of a compensating tax upon commodity X shall be heard in rebuttal.

(4) The presiding officer may, if he determines it advisable or necessary, limit the time to be devoted to these hearings or to any question or questions to be considered in these hearings.

(5) Since the purpose of these hearings is to provide evidence of facts upon which the Secretary may act under subsections (a) and (d) of Section 15 of Title I of the Act, it will not be appropriate at these hearings to present arguments upon issues of law. If any interested person desires to raise any issue of law in connection with any question considered at the hearings, he may file a written argument thereon with the Chief Hearing Clerk at the close of the hearing or within such time thereafter as the Presiding Officer may determine and announce. Such written arguments shall be on file and open to public inspection at reasonable times.

(6) The control of the manner of presentation of testimony during the hearings shall rest entirely with the Presiding Officer.

(7) At the termination of the hearings or within such time thereafter as the Presiding Officer may determine and announce, interested parties may file with the Chief Hearing Clerk supplemental statements in writing or written arguments, which shall be on file and open to public inspection at reasonable times.

(8) All testimony or statements shall be directed toward, and confined to, the considerations set forth in subsections (a) and (d) of Section 15 of Title I of the Act.

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